

Planning, Budgeting, Acquisition & Management of Capital Assets

Capital programming is an integrated process within an agency for planning, budgeting, procurement and management of the agency's portfolio of capital assets to achieve agency strategic goals and objectives with the lowest life-cycle cost and least risk.

OMB Circular A-11

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And in plain English



WE . . .

- have a finite amount of money
- must focus on agency mission, strategic goals & results
- need to make strategic and smart decisions about fiscal investments and ensure life cycle costing in order to get the biggest “bang for the buck”
- then we deliver on our commitment

Capital Programming is. . .

- Good acquisition planning & execution
- Four (4) phases --



Planning

mapping your trip



Budgeting

financing your trip



Procurement

how to get there



Management-in-use



evaluating where you are. . .



Select

Control

Evaluate


Cut to the Chase



- OMB Circular A-11, *Preparation and \$ubmi\$\$\$ion of Budget E\$estimate\$*
 - Part 2 -- Budget Requests
 - Section 31.2 Environmental Management
 - Section 55 Energy and Transportation Efficiency Management
 - Part 7 -- Planning, Budgeting & Acqui\$ition of Capital A\$\$et\$
 - Budget Exhibit 300, Capital Asset Plan & Justification “Business Case
 - *The Capital Programming Guide*

Environmental Management

Part 2, Sec. 31.2



“Federal agencies should develop and implement environmental management systems in order to integrate environmental accountability into agency day-to-day decision-making and long term processes, across all agency missions, activities and functions.”

Energy and Transportation Efficiency Management

Part 2, Sec. 55

“Investments in better building design and construction typically return dividends (such as reduced operations and maintenance costs) that will save money over the life of the building, above and beyond any up front costs incurred to design and implement them...Agencies are encouraged to incorporate Energy Star or LEED building standards into up front design concepts for new construction and/or building renovations.”

Life Cycle Cost Analysis

Part 7 and Capital Programming Guide

What to consider – Environmental factors

- * global warming
- * Eutrophication
- * indoor air quality
- * water intake
- * human health
- * ozone depletion
- * acidification
- * fossil fuel depletion
- * habitat alteration
- * criteria air pollutants
- * smog
- * ecological toxicity.

Planning mapping your trip



- **Ensure** that Environment/Energy are represented on the Integrated Project Team (IPT)!
 - multi-disciplinary & multi-functional
project management, engineering, environment, budgeting/financial management, legal, operations & use, contracting, maintenance/logistics. . .
 - cradle-to-grave
 - project performance measures=IPT performance metrics
- **Link** metrics to sustainability and program performance
- **Assess** baseline & identify the performance gaps
- **Detail** the functional requirements

More planning. . .



- **Evaluate** the alternatives --
 - answer the “3 pesky questions”
 - will the investment support core or priority functions?
 - can another agency or private entity perform the function?
 - have business processes been reengineered to optimize performance and efficiency?
- **Select** the best investment
 - is it **available** in the market place?
 - is it **affordable**?
 - is it **feasible**?
- **Analyze** benefits, costs, risks & returns
 - develop risk-adjusted cost, schedule and performance goals for project and/or segment

No, you're not done planning yet. . .



- **Do** market research
- **Assess** risk & develop plans to mitigate or manage
- **Develop** an acquisition strategy
 - phases? modules? useful segments?
 - single or multiple contractors?
 - in house, out house or both?
 - system or services?
 - competition?
 - type of contract? financial incentives?

Management-in-Use

evaluating the results
of your investments



- Cyclical Operational Analyses
 - is the investment meeting project objectives & lifecycle cost, schedule & performance goals
- Operation & Maintenance Plan
 - scheduled preventative maintenance
 - predictable corrective maintenance
- Post-implementation Review
 - diagnostic of the agency's capital planning process
- Asset Disposal Plan
 - removal, replacement, redeployment, scrap

Capital Asset Plan (300) *The Business Case*



- Provide Justification for the investment
- Demonstrate Alternatives Analysis and Risk Management
- Develop and Defend Program Management
- Provide Appropriate Acquisition Strategy
 - Use Appropriations First if Available
 - Explore Alternative Financing and other tools available

The Business Case (300)



- Cost, Schedule, and Performance Goals
 - A. Description of performance-based management system
 - B. Original baseline (OMB-approved at project outset)
 - C. Current baseline (applicable only if OMB approved the changes)
 - D. Actual Performance and Variance from OMB-approved baseline (Original or Current)
 - E. Corrective Actions

In a Nutshell - From the IPT to the President



- Project Manager and IPT document the business case and acquisition strategy for the planned investment
 - the Capital Asset Plan
- Agency Executive Review Board approves or rejects the investment -- if approved:
 - the project is available for submission as part of the agency's capital portfolio for the budget
- Agency prepares & submits budget documents
- OMB reviews the budget request
 - consistent with mission? strategic goals? sound project & acquisition planning & management? Administration priorities?

... and back

- OMB “passes back” to the agency its budget recommendations
- Final Federal budget compiled and sent to the Hill
- Appropriations return the budget back to the IPT for execution
- Agency then uses capital programming process to track costs, schedule, performance goals and measures, AND monitors actual performance against project plan

How's it going?

- Capital programming is leading the way we fund projects
- Executive Review Committees for investment portfolios and IPTs are increasingly common
- Agencies are at different levels of implementation
- Analyses -- performance gap, alternatives, benefit/cost – still lacking
- Project “rebaselining” too frequent -- not managing to cost, schedule & performance parameters
- Acquisition planning/procurement not fully integrated

So, what's next?



- Integrate sustainability principles into A-11
- Emphasize **Agency Capital Plans where only good investments are funded**
- Develop & implement performance-based acquisition management system functional requirements
- Continue automating and integrating capital decision-making and budget reporting for all agencies